



Virginia
Retirement
System

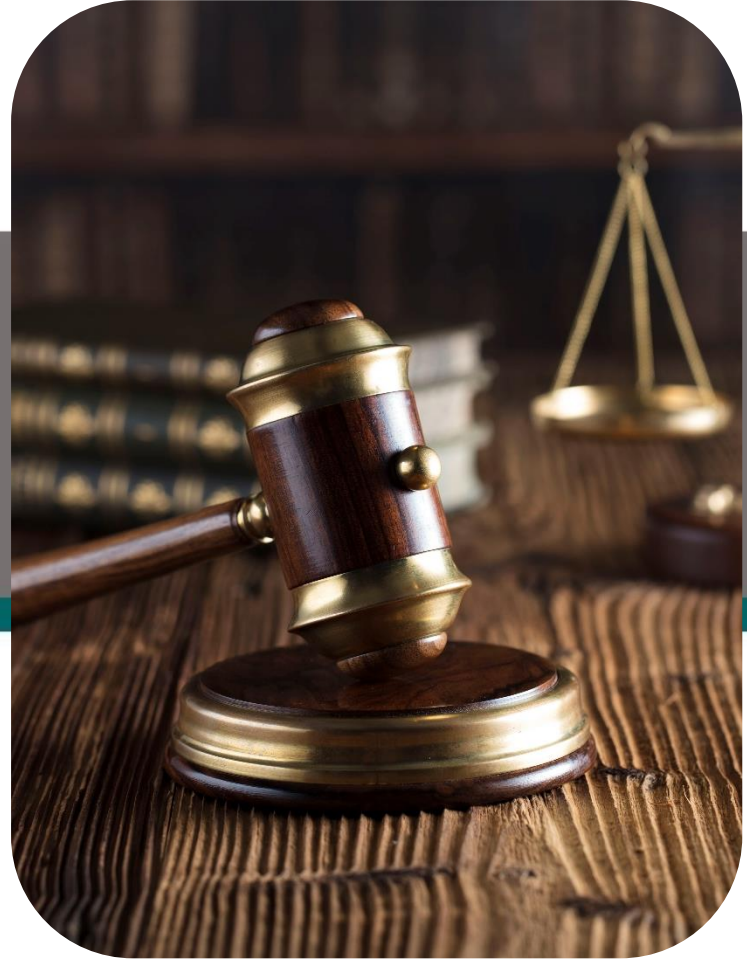
Judicial Retirement System

Retirement Benefits

Virginia Retirement System



Active Employment



Plan 1

Membership date before July 1, 2010, vested before January 1, 2013, have not taken a refund and were appointed or elected to an original term before January 1, 2014.

Plan 2

Membership date July 1, 2010, to December 31, 2013, have not taken a refund and were appointed or elected to an original term before January 1, 2014. Or, membership date before July 1, 2010, but not vested before January 1, 2013 and appointed or elected to an original term before January 1, 2014.

Hybrid Retirement Plan

Appointed or elected to an original term on or after January 1, 2014. Plan 1 or Plan 2 service credit earned prior to being appointed or elected to an original term is not considered when determining Hybrid plan eligibility under JRS.



Defined Benefit Plan

- Provides a monthly benefit
- Funded by employees and employers

Defined Benefit

- Provides a monthly benefit
- Funded by employees and employers



Defined Contribution

- Funded by employee with matching employer contributions
- Balance based on contributions, investment results, and associated fees

Weighted Service - Defined Benefit Plan



Eligibility Criteria	Weighted Service
Appointed or elected to an original term prior to 1/1/95	1 month = 3.5 months of creditable service
Appointed or elected to an original term on or after 1/1/95 but before 7/1/2010	1 month = 2.5 months of creditable service
Appointed or elected to an original term on or after 7/1/10: Less than age 45	1 month = 1.5 months of creditable service
Appointed or elected to an original term on or after 7/1/10: At least age 45 but younger than age 55	1 month = 2 months of creditable service
Appointed or elected to an original term on or after 7/1/10: At least age 55	1 month = 2.5 months of creditable service

JRS Member Age at Appointment

Active JRS Members by Appointment Date

Appointment Date	Age at Date of Appointment			Total
	Less than 45	45 - 54	55 or Older	
Prior to 7/1/2010	79	68	6	153
2011	0	0	0	0
2012	4	2	4	10
2013	8	10	15	33
2014	6	13	9	28
2015	12	16	15	43
2016	11	12	7	30
2017	3	8	12	23
2018	4	3	5	12
2019	9	14	5	28
2020	11	25	22	58
2021	10	12	13	35
Prior to 7/1/2010	79	68	6	153
After 7/1/2010	78	115	107	300
Total Plan	157	183	113	453



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Service Retirement Basics



JRS Defined Benefit Service Retirement Eligibility



Reduced

**Age 55 with at least 5
years of weighted service**



Unreduced

**Age 65 with at least 5
years of weighted service**

**Age 60 with at least 30
years of weighted service**

JRS Defined Benefit Service Retirement Benefit

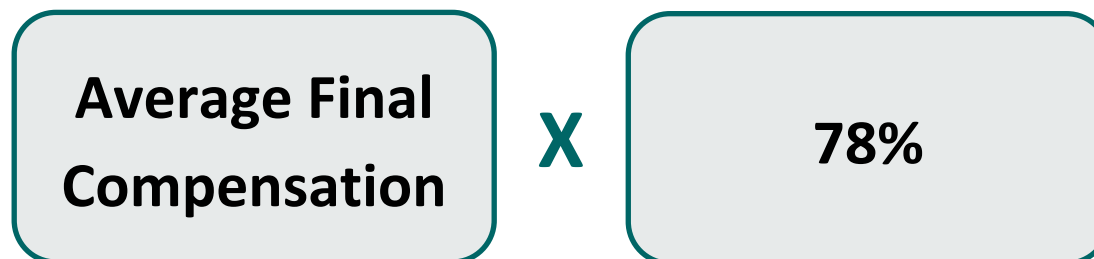


Unreduced Annual Basic Benefit Amount

The smaller of:



Or



JRS Defined Benefit Service Retirement Multiplier



Appointed or Elected Date	Multiplier
Appointed or elected to an original term prior to January 1, 2013	<ul style="list-style-type: none">▪ 1.7%
Appointed or elected to an original term between January 1, 2013, and December 31, 2013	<ul style="list-style-type: none">▪ 1.7% on non-JRS service earned, purchased or granted before the date of appointment or election to an original term▪ 1.65% on JRS service earned, purchased or granted on or after date of appointment or election to an original term
Appointed or elected to an original term on or after January 1, 2014	<ul style="list-style-type: none">▪ 1.0% on service beginning on the date of appointment or election to an original term▪ Member also receives matching defined contribution from 1.0%-3.5% depending on level of voluntary contributions.▪ You will retain the applicable multiplier on any covered service outside of JRS



Age 73
is the
mandatory retirement age
for all judges.

Moving to a Non-JRS Position



If you serve as a judge and move to a position covered under another VRS-administered plan, when you retire from the other plan, your benefit can't exceed 78% of your AFC unless you have five or more years of service earned under the other plan after leaving your judicial position.

Internal Revenue Code requires that pension benefit can never exceed 100% of your AFC.



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Benefits in Retirement



The health insurance credit:

- Provides a reimbursement to assist with the cost of a retiree's health insurance premiums.
- Is a dollar amount set by the General Assembly for each year of service and added to the retiree's monthly retirement benefit (tax-free benefit).
- Ends upon death and cannot exceed the amount of the individual health insurance premium.

\$4 per month for each year of service;
no cap for judges

Must have **at least 15 years of service**
from an eligible employer

Eligible insurance: Individual health plans; coverage as a dependent on a spouse's plan; employer-sponsored health plans, including the Commonwealth of Virginia Health Benefits Program; Medicare Part B; **and** dental, vision and prescription drug plans including Medicare Part D.

Important: Notify VRS of any changes in coverage or premium amounts **annually, using the VRS-45 form** to ensure you receive the maximum health insurance credit available to you.

- You receive Basic Group Life Insurance coverage in retirement **with no premiums.**
- **Coverage reduces** on the January 1 following one calendar year of retirement.
- **Reduction rate is 25% each January 1** until it reaches 25% of its value at retirement.

Cost-of-Living Adjustment (COLA)

- COLAs allow your retirement benefit to keep pace with inflation.
- The COLA is based on the Consumer Price Index for all Urban Consumers (CPI-U), published by the U.S. Bureau of Labor Statistics and updated each July 1.
- During years of no inflation or deflation, the COLA is 0%.

2022 COLA

3.85%

Plan 1

3.00%

Plan 2 & Hybrid

If you have at least 20 years of service credit, the COLA goes into effect on July 1 after one full calendar year from your service retirement date.

Examples:

- Retirement date 1/1/22 = COLA is in effect 7/1/23
- Retirement date 2/1/22 = COLA is in effect 7/1/24

Return to Work and Your Defined Benefit Plan



Benefits stop if...

you return to a covered position with a VRS-participating employer

Benefits continue if...

you have a bona fide break in service (with no prearrangement)
and return to the same VRS-participating employer in a non-
covered position

Benefits continue if...

you return to a non-covered position with a different
VRS-participating employer



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JRS Analysis



Benefit Increase Options*

- Multiplier
- Weighting Amount/Schedule
- Plan Designation
- Defined Contribution Employer Match Amount (Hybrid Retirement Plan)

*While the members of the working group developed the options for consideration, their inclusion in this presentation does not represent endorsement of the changes by the staff members themselves or the entities they represent.



Maximum JRS benefit

- 78% of AFC

Maximum benefit if judge moves to another plan and retires

- 78% of AFC or
- 100% if five or more years of service in other plan earned after moving from JRS

Internal Revenue Code requires that pension benefit can never exceed 100% of your AFC

Va. Code §§ 51.1-303 & 51.1-306

Cash or Deferred Arrangement (CODA)

- The Internal Revenue Code prohibits cash or deferred arrangements (CODAs), whereby members are allowed to elect among certain retirement plan provisions that are not currently available.
- To avoid the potential for a CODA, benefits counsel has recommended that if current judges are moved from the Hybrid Retirement Plan to Plan 1 or Plan 2, that this be a mandatory change and that no election be provided to individual judges.

JRS Plan – Demographics June 2022



	Plan 1	Plan 2	Hybrid	Total
Active Judges	154	45	263	462

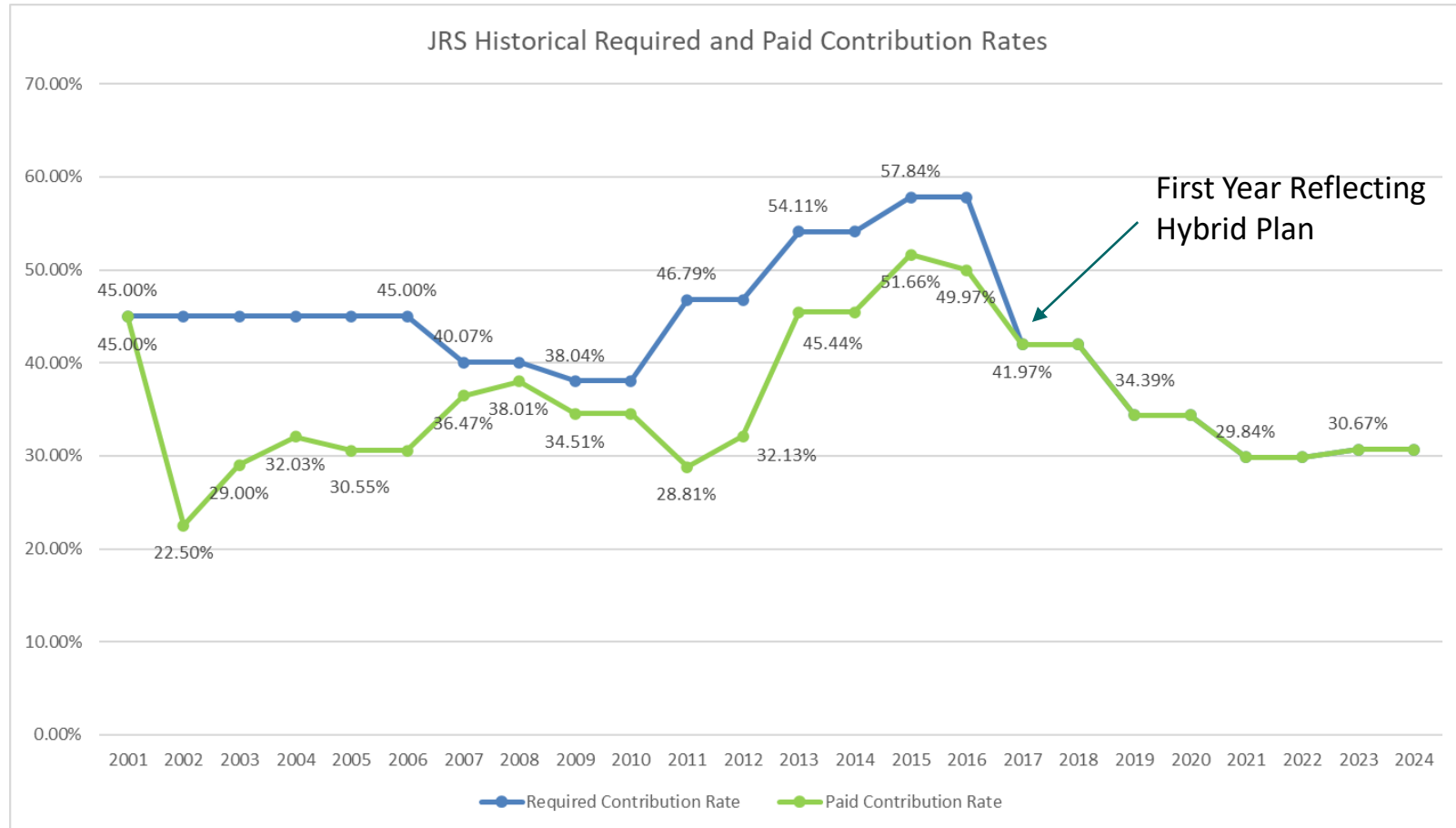
Judges with VRS Service Prior to Judicial Appointment
Age at Appointment

Prior VRS Service	<45	45 -54	55 +	Total
None	94	93	61	248
Less than 5 yrs	16	20	9	45
5-9 Years	26	13	8	47
10 - 14 Years	21	20	9	50
15 - 19 Years	11	18	10	39
20 - 24 Years	0	9	10	19
25 - 29 Years	0	5	4	9
30 + Years	0	0	5	5
	168	178	116	462

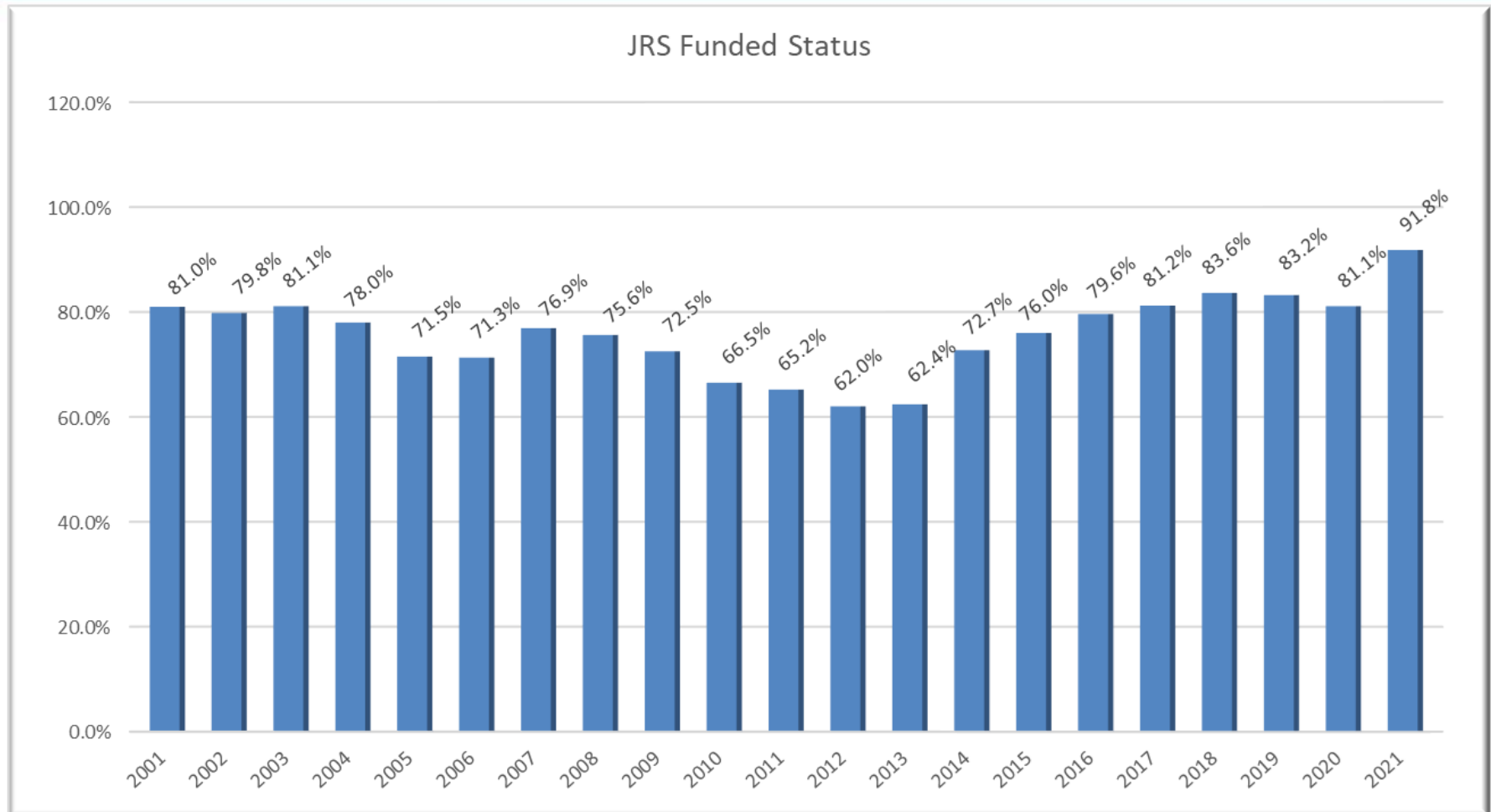
Judges with VRS Service Prior to Judicial Appointment - Hybrid Plan Only
Age at Appointment

Prior VRS Service	<45	45 -54	55 +	Total
None	38	53	44	135
Less than 5 yrs	9	11	4	24
5-9 Years	13	7	7	27
10 - 14 Years	12	7	8	27
15 - 19 Years	5	12	9	26
20 - 24 Years	0	5	8	13
25 - 29 Years	0	5	2	7
30 + Years	0	0	4	4
	77	100	86	263

JRS Plan – Historical Contribution Rates



JRS Funded Status



JRS Plan – Current Benefit Tier Costs



Virginia Retirement System-JRS Contribution Breakdown by Plan

	VRS Judicial Retirement Plan as of June 30, 2021			
	VRS Plan 1	VRS Plan 2	Hybrid	Blended Rate
Total Benefit Normal Cost	34.39%	32.72%	18.81%	24.61%
Member Contribution Rate	5.00%	5.00%	4.00%	4.38%
Employer Normal Cost Rate	29.39%	27.72%	14.81%	20.23%
Employer Match to DC Plan	0.00%	0.00%	3.00%	1.86%
Administrative Expense	0.44%	0.44%	0.44%	0.44%
Total Employer Rate without Unfunded Amortization Cost	29.83%	28.16%	18.25%	22.53%
Amount to Amortize Unfunded Liability	8.14%	8.14%	8.14%	8.14%
Total Employer Rate	37.97%	36.30%	26.39%	30.67%

As of last rate-setting, Hybrid Plan Employer Cost was approximately 10% less than Plan 2.

JRS Plan – Service Weighting

JRS Service Required to Achieve 30 Years

Service Required to Achieve 30 Years					
Appointment Date	Age at Appointment	Weighted Service	Service Weighting	Retirement Service	Retirement Age
Under Age 45	40	20	1.5	30	60
Age 45 - 54	50	15	2.0	30	65
Age 55 +	55	12	2.5	30	67

JRS Service if Working to Age 73

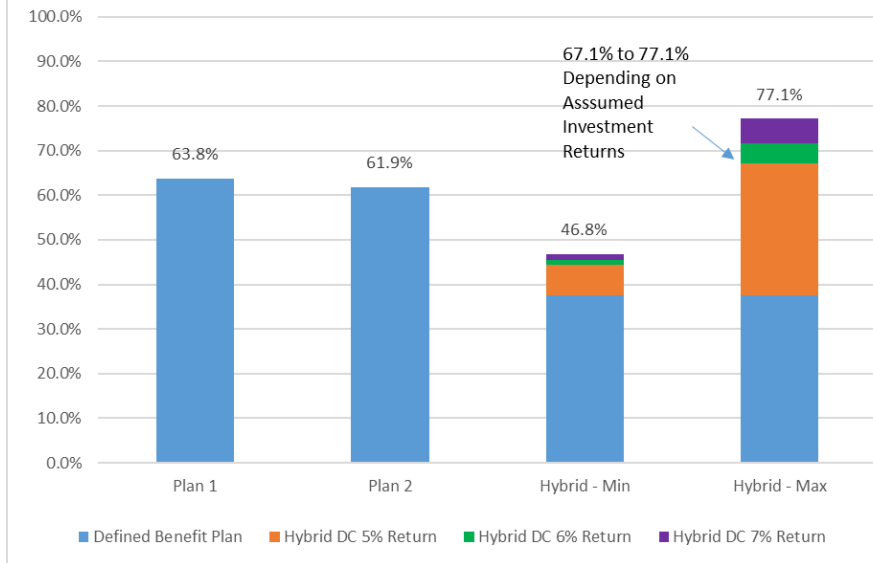
Appointment Date	Age at Appointment	Service Worked	Service Weighting	Retirement Service	Retirement Age
Under Age 45	40	33	1.5	49.5	73
Age 45 - 54	50	23	2.0	46	73
Age 55 +	55	18	2.5	45	73

Replacement Ratios

Judicial Plan versus State Plan

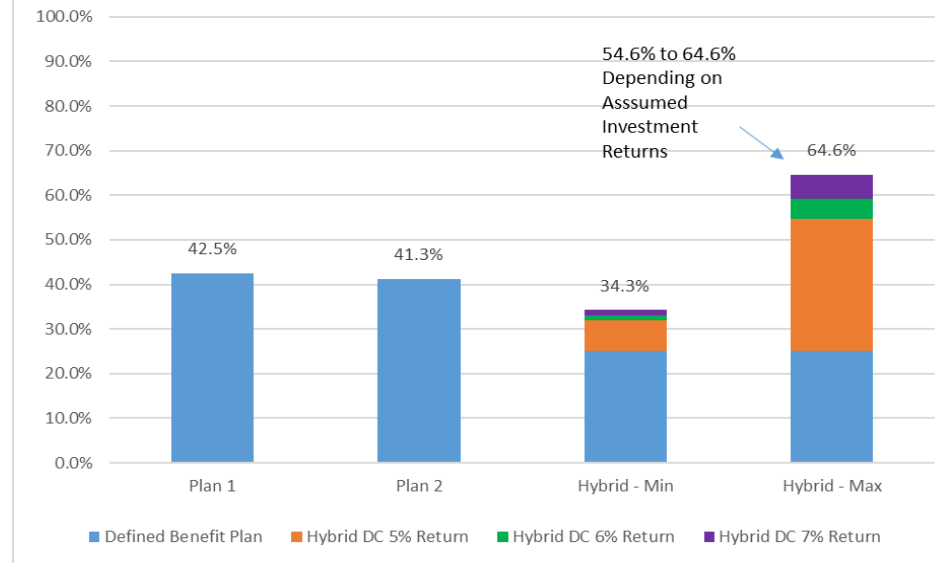
JRS Plan

VRS - Judges Retirement Plan Replacement Ratios
Age at appointment 40 Retirement age 65 Salary \$150,000

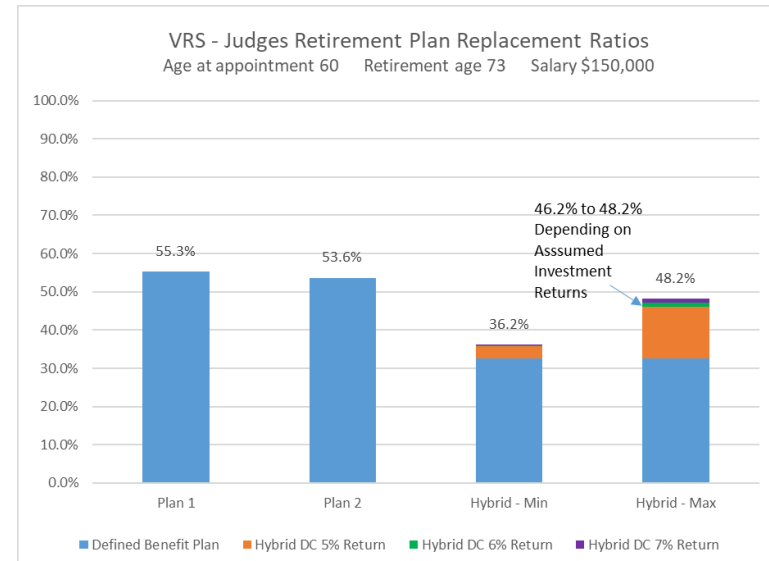
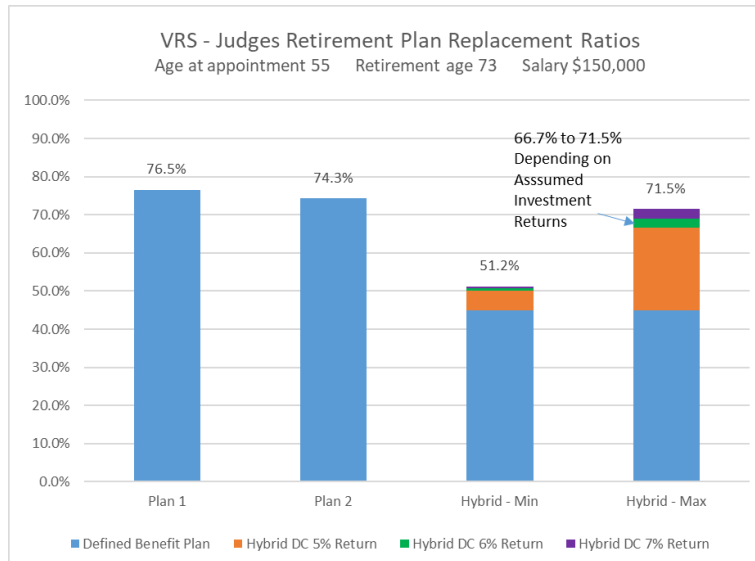
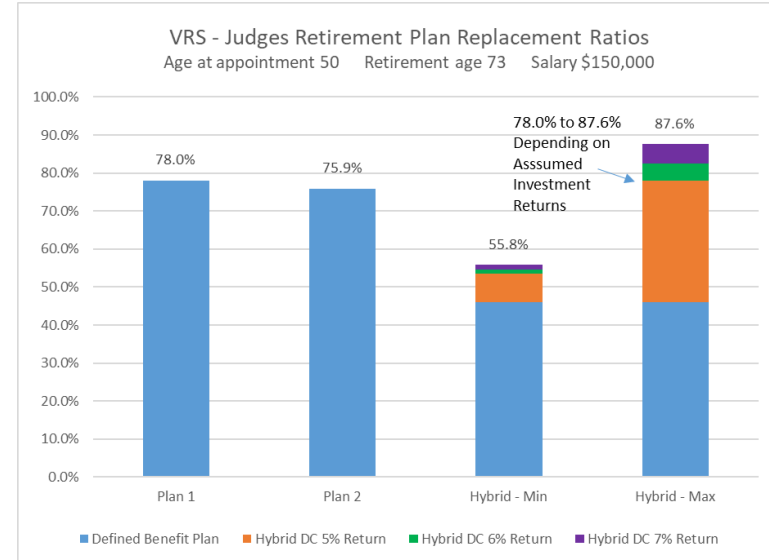
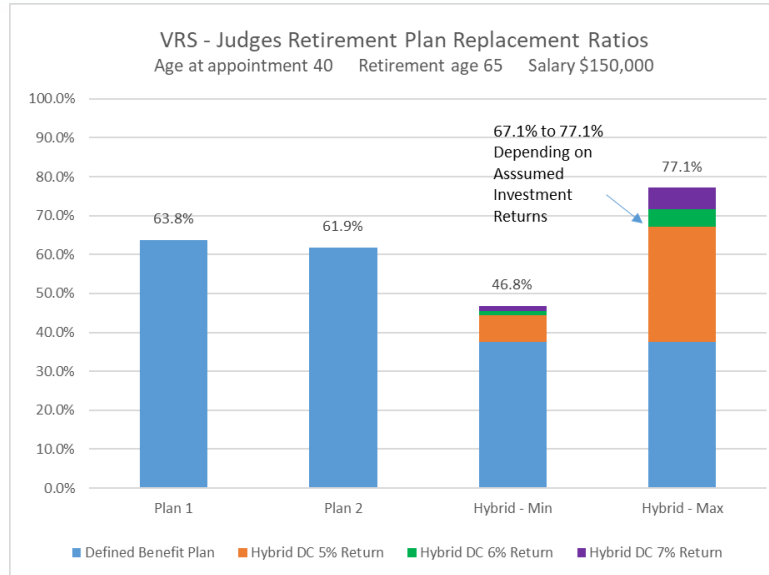


State Plan

VRS - State Retirement Plan Replacement Ratios
Age hired 40 Retirement age 65 Salary \$150,000



JRS Plan – Replacement Ratios



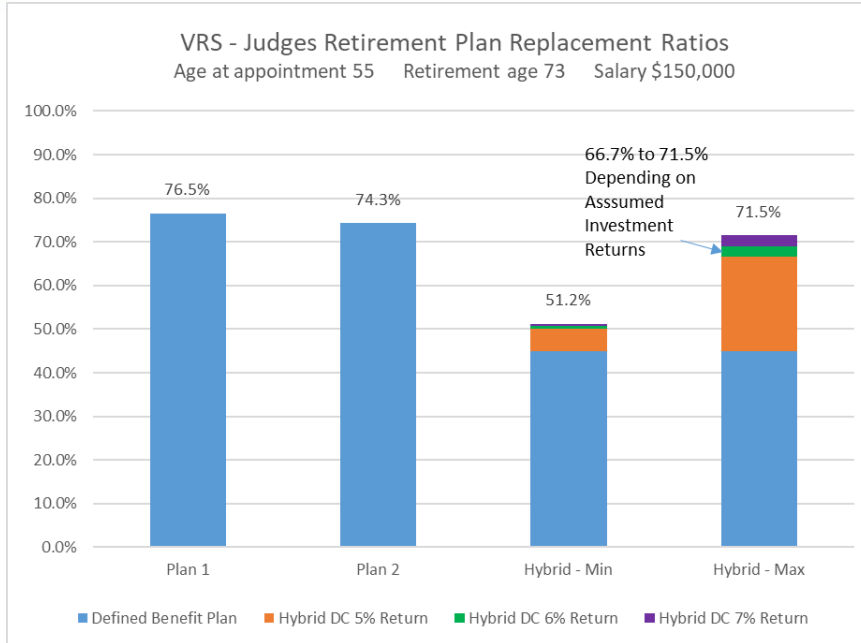
JRS Plan – Replacement Ratios Observations



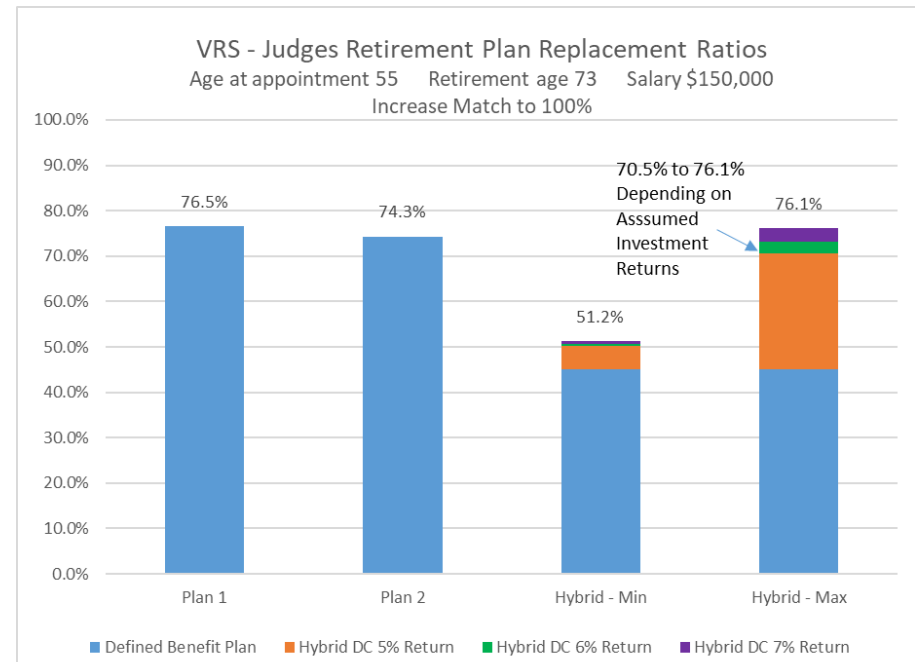
- Younger appointees have adequate time to accumulate defined contribution component that potentially exceeds Plan 1 or Plan 2 replacement ratios.
- Members hired after age 55 have shorter period of time for defined contribution balances to accumulate, therefore providing slightly less value from defined contribution component.
- Options exist to modify plan design for judges appointed on or after age 55 to provide them with Replacement Ratio similar to Plan 1 or Plan 2.
 - Modifying DC component
 - Increase Matching Contributions to 100%
 - Changes made to DC component would not introduce longevity or investment risk to the JRS plan
 - Modify DB component with multiplier or service weighting changes
 - Increase Benefit Multiplier from 1.0 to 1.1
 - Increase Service Weighting from 2.50 to 2.75
 - Making either of the DB changes yields essentially the same result with respect to income replacement ratios and cost

JRS Plan – Age of Appointment 55+

Design Alternatives to Increase Replacement Ratio

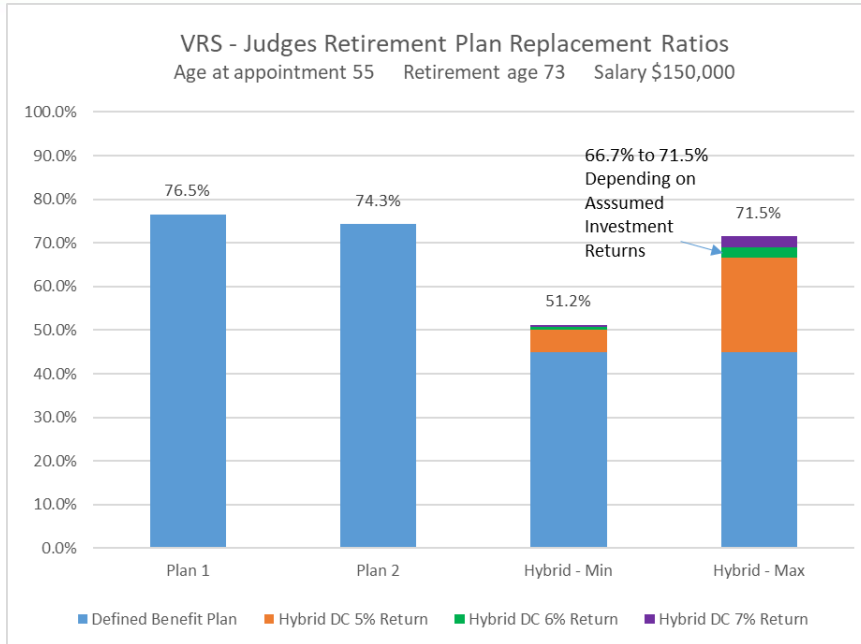


Increasing the employer match to the defined contribution component of the Hybrid plan to 100% for members appointed on or after age 55.

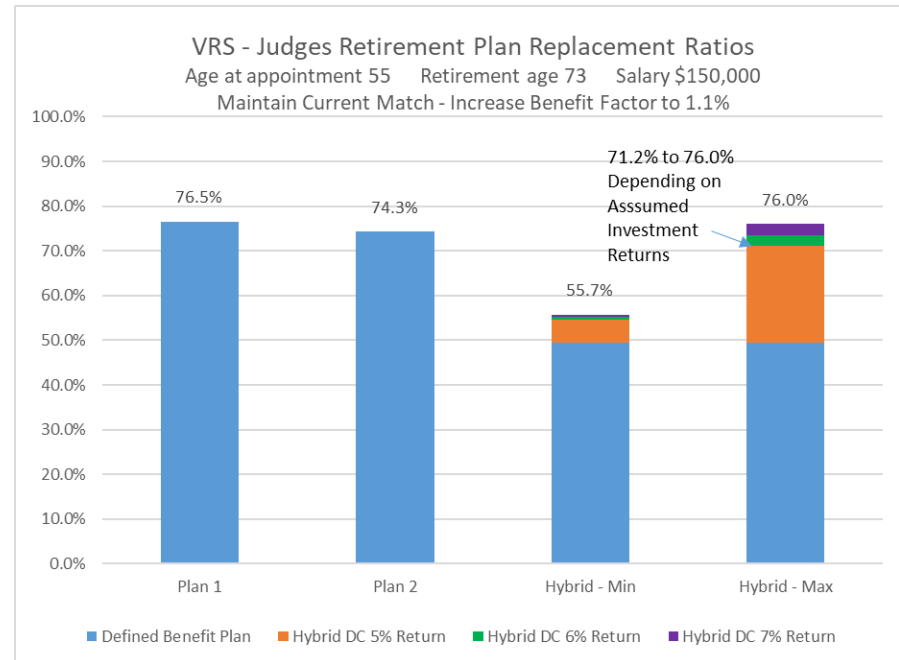


JRS Plan – Age of Appointment 55+

Design Alternatives to Increase Replacement Ratio

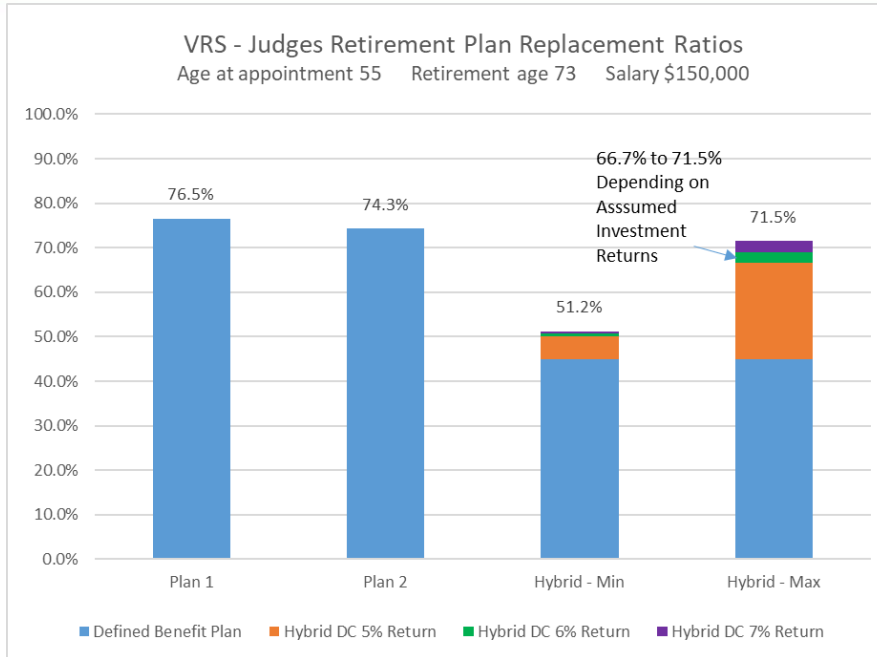


Increasing the benefit multiplier from 1.0 to 1.1 for members appointed on or after age 55.

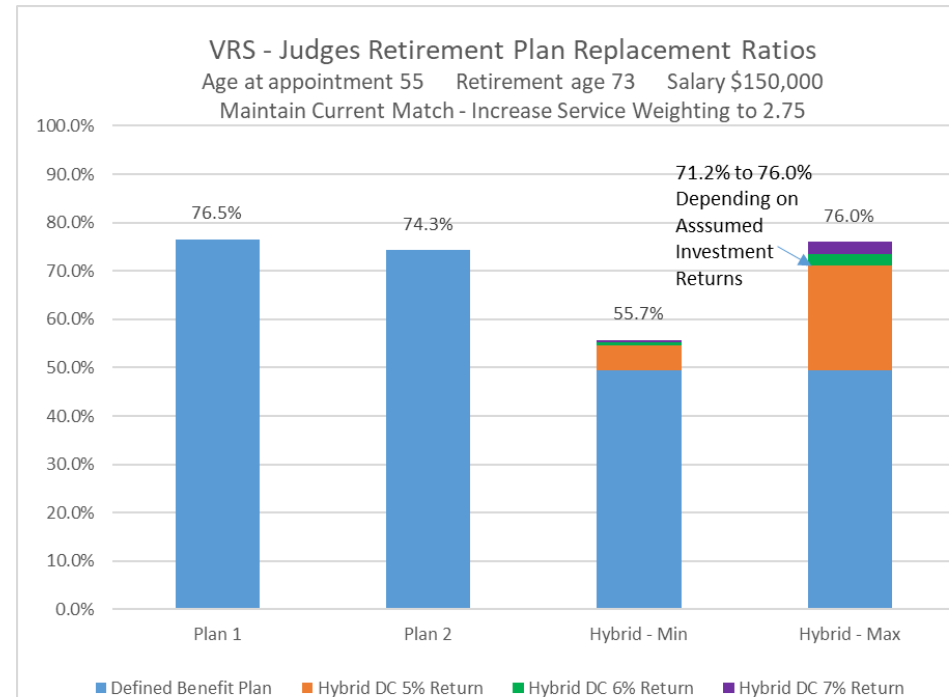


JRS Plan – Age of Appointment 55+

Design Alternatives to Increase Replacement Ratio

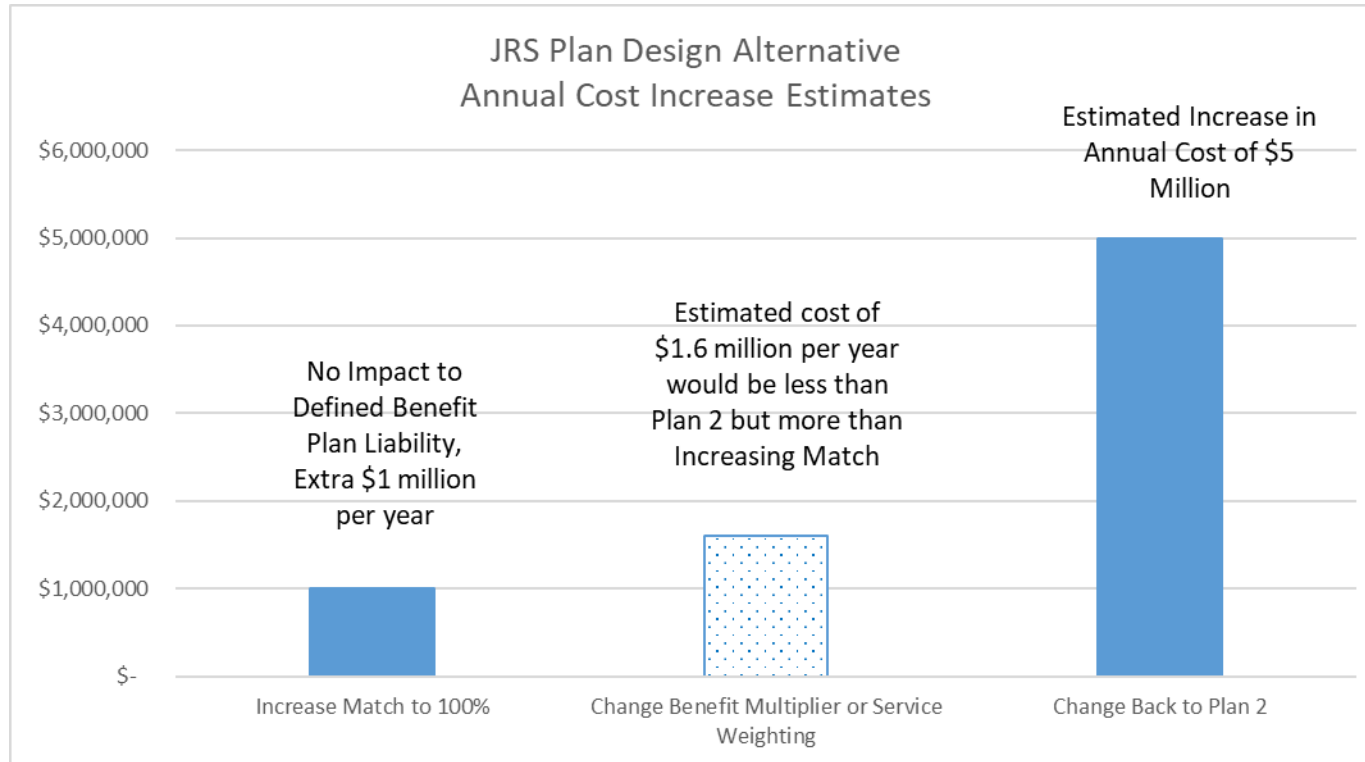


Increasing the service weighting factor from 2.50 to 2.75 for members appointed on or after age 55.



JRS Plan

Design Alternatives Cost Estimates



- Hybrid plan reduced employer risk by lowering defined benefit amount and combining it with defined contribution component.
- Reverting to Plan 2 benefit structure or increasing benefit multiplier or service weighting will increase employer risk and impact defined benefit component of Hybrid plan.



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Questions and Discussion



Appendix

Significant JRS Legislative Changes

Mandatory Retirement Age

7-1-15	Ch. 762 & 773 (2015)	<p>Raised to 73 from 70 for</p> <ul style="list-style-type: none"> • Supreme Court justices • Court of Appeals judges • Circuit & district court judges whose terms commence on or after 7-1-15
6-1-17	Ch. 667 (2016)	Made applicable to all circuit and district judges regardless of when term commenced

The Virginia Constitution, art. VI, § 9, gives the General Assembly the authority to set a mandatory retirement age

Benefit Cap

1-1-99	Ch. 674 (1998)	<p>Raised to 78% of AFC from 75%</p> <ul style="list-style-type: none"> • Judicial retirement system for courts of record established in 1942 provided for benefit of 75% of AFC
4-23-14	Ch. 776 (2014)	<p>Maximum benefit for a judge who leaves JRS and enters another retirement plan is</p> <ul style="list-style-type: none"> • 78% of AFC or • 100% of AFC if at least five years of service in other plan

Hybrid Plan

1-1-14	Ch. 701 & 823 (2012)	Judges appointed or elected to an original term on or after 1-1-14 are members of the Hybrid plan regardless of prior Plan 1 or Plan 2 service in a nonjudicial position
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Significant JRS Legislative Changes

Weighted Service		
1942		12 years of service and 65 years old for full retirement benefits (judges of courts of record)
1954		15 years of service and 70 years old for full retirement benefits (judges of courts not of record)
1970	Ch. 779 (1970)	3.5 times length of service
1-1-95	Ch. 821 & 899 (1994)	2.5 times length of service for member commencing an original term on or after 1-1-95
7-1-10	737 & 738 (2010)	<p>For member commencing an original term on or after 7-1-10</p> <ul style="list-style-type: none">• 2.5 times length of service if member was at least 55 years old at time of election or appointment• 2.0 times length of service if member was at least 45 but less than 55 years old at time of election or appointment• 1.5 times length of service if member was less than 45 years old at time of election or appointment